

1 [Greater Transparency for the Kaiser Healthcare Rate Increase]

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3 **Resolution urging Kaiser to immediately begin negotiating with the Health Service**
4 **System toward a fair and transparent pricing model that provides fee schedule**
5 **transparency and requesting the Health Service System to report back to the Board of**
6 **Supervisors on the progress of negotiations.**

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8 WHEREAS, Utilization of healthcare by City HHS Members enrolled in Kaiser has
9 dropped every year for the past seven years, yet Kaiser has increased their prices each year;
10 and

11 WHEREAS, Hospitalizations for HSS Members enrolled in Kaiser dropped by more
12 than a third over the last seven years, whereas the Kaiser charges per hospitalization
13 increased by nearly 90% without presenting statistics to support these increases; and

14 WHEREAS, many public employees covered by Kaiser have made many concessions
15 over the years and the rate increases by Kaiser come at a time when many are just beginning
16 to recover from the economic recession; and

17 WHEREAS, Kaiser has a record of excellent quality care and better health outcomes,
18 which should translate into lower costs. Kaiser pricing is equivalent to other HMO plans on a
19 risk-adjusted basis; and

20 WHEREAS, Kaiser reports that price is based on 'competing in the marketplace' and is
21 not tied to utilization of services or the actual cost of care. Kaiser justifies this pricing strategy
22 by saying that Kaiser remains the lowest cost and highest quality health plan in the
23 marketplace; and

24 WHEREAS, Kaiser has enjoyed profit increases year-after-year; and

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1 WHEREAS, Kaiser is making a profit of 15% or more from the City and County of San
2 Francisco. Kaiser acknowledged that they use one pricing model for all large group business,
3 so this 15% profit margin is likely also being made off all other large San Francisco employers
4 with employee families enrolled in Kaiser; and

5 WHEREAS, Blue Shield , the other large non-profit health plan in California committed
6 to a 2% profit pledge in 2010, returning nearly \$20 million to the Health Service System over
7 the past 2 years; and

8 WHEREAS, The Health Service System, under the guidance of the Health Service
9 Board, has worked diligently for many years with the goal of engaging in fair and forthcoming
10 business relationships with local insurers and providers to offer plans and to negotiate rates
11 for City employees and retirees. These plans and rates are under the approval authority of the
12 Board of Supervisors; now, therefore, be it

13 RESOLVED, That Kaiser immediately begin negotiating with the Health Service
14 System toward a fair and transparent pricing model that provides fee schedule transparency
15 and reflects the utilization of our members; and, be it

16 FURTHER RESOLVED, That Kaiser provide documentation on the actual drivers of
17 healthcare costs and trends and commit to a plan on controlling healthcare drivers and leads
18 to cost reductions; and, be it

19 FURTHER RESOLVED, the Health Service System pursue negotiations with Kaiser
20 toward a fair and transparent pricing and further, that the Health Service System pursue other
21 cost effective alternatives for City employees in the event negotiations with Kaiser do not
22 produce; and, be it

23 FURTHER RESOLVED, That pursuant to the foregoing, the Health Service System
24 report back to the Board of Supervisors on the progress of negotiations.

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